

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-900

April 25, 2000

MAINE PUBLIC UTILITIES COMMISSION
Investigation into Rates of Oxford West Telephone
Company Pursuant to 35-A M.R.S.A. § 7101-B

CORRECTED ORDER¹

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order, we approve a Stipulation which resolves all of the issues in the above-captioned matter. The Stipulation provides that on May 30, 2001, Oxford West Telephone Company (Oxford West) will lower its intrastate access rates to the 1999 NECA tariff rates and that neither the Commission nor Oxford West will initiate a general rate proceeding until June 1, 2002, absent specific circumstances.

II. BACKGROUND

On May 27, 1997, the Maine Legislature enacted 35-A M.R.S.A. § 7101-B, which required the Commission to establish intrastate access rates for local exchange carriers based on their interstate access rates as established by the Federal Communications Commission (FCC) by May 30, 1999, and every two years thereafter. On December 19, 1997, we adopted Section 8(J) of Chapter 280 of our Rules, which required Oxford West (and all other independent telephone companies (ITCs)) to reduce its intrastate access rates by 40% of the difference between its existing rates and the level of the interstate access rates by May 30, 1998. On May 27, 1998, the Commission approved Oxford West's initial reduction of access rates.

On November 24, 1998, we opened formal investigations into the rates of each ITC, including Oxford West. The Office of the Public Advocate (OPA), Bell Atlantic and TAM subsequently petitioned to intervene in this case and all three petitions were granted.

On January 28, 1999, we issued our Interim Order in this case as well as in all of the other ITC investigations. The Interim Order required Oxford West to reduce its rates to the NECA Pool Disbursement levels by May 30, 1999. It also stated that it was our goal to reduce access rates to NECA Tariff levels by May 31, 2001.

¹This Order corrects ordering paragraph No. 2 on page 4 by stating that the Revised Schedules submitted by Oxford West are approved for effect on October 1, 2000, as requested by Oxford West, rather than April 15, 2000 as stated in the April 15, 2000 Order.

On January 27, 1999, the Staff conducted a Technical Conference in this case. On February 25, 1999, Oxford West filed a letter with the Commission indicating that its rates were already in compliance with Section 8(J) of Chapter 280 of the Commission's Rules. In response to a Staff request, Oxford West filed backup data to support Oxford West's proposed filing on May 3, 1999. On May 30, 1999, we allowed Oxford West's revised Access Rate Tariff to go into effect.

On July 30, 1999, Oxford West provided the Staff and the Public Advocate with an analysis of the impact of the access rate reductions. Over the next months, several meetings and conference calls took place to discuss access rate reductions and to discuss the elements of a plan for transitioning to access rates closer to the NECA Tariff level by May 2001. Additionally, on January 19, 2000, a public meeting was held in the Town of Sumner. No customers attended the meeting. The discussions and lack of public participation at the public meeting produced the resolution contained in the Stipulation.

On April 11, 2000, Oxford West filed the attached Stipulation which was signed by the OPA and Oxford West. TAM and Bell Atlantic have indicated that while they were not signing the Stipulation, they do not object to it.

III. DECISION

A. Standard

In reviewing a stipulation submitted by the parties to a proceeding, we must consider:

1. whether the parties joining the stipulation represent a sufficiently broad spectrum of interests that the Commission can be sure that there is no appearance or reality of disenfranchisement;
2. whether the process that led to the stipulation was fair to all parties; and
3. whether the stipulated result is reasonable and is not contrary to legislative mandate.

See Consumers Maine Water Co., Proposed General Rate Increase of Bucksport and Hartland Divisions, Docket No. 96-739 (Me. P.U.C. July 3, 1997). We have also recognized that we have an obligation to ensure that the overall stipulated result is in the public interest. Id.

B. Discussion

First, we find that the fact that the OPA signed the Stipulation and that Bell Atlantic and TAM did not object to it provides sufficient evidence that there is no

appearance or reality of disenfranchisement. The OPA represents the public before the Commission and thus, by signing the Stipulation, indicates its belief that the Stipulation benefits ratepayers. Bell Atlantic will likely be the biggest payer of Oxford West's access rates and thus, by not objecting to the Stipulation, indicates that the Stipulation adequately addresses its, as well as other access payers', concerns.

Second, based upon our knowledge of our staff's participation in the process that led to the stipulation, we find that it was fair to all parties. All meetings were noticed to all parties and all parties were given an opportunity to meaningfully participate in the discussions that led to the Stipulation. We find this process inherently fair.

Third, we find that the stipulated result is reasonable and complies with the legislative mandate found in 35-A M.R.S.A. § 7101-B. The most pertinent provisions of the Stipulation are as follows:

Access Rate Reduction. On May 30, 2001, Oxford West will reduce its intrastate access rates to the NECA Tariff No. 5 interstate switched access rates effective for Oxford West on August 1, 1999. The new rates will stay in effect until at least May 29, 2003.

Rate Case Moratorium. Until June 1, 2002, neither Oxford West nor the Commission will initiate a rate proceeding, subject to certain exceptions.

Exceptions to Rate Case Moratorium. The Rate Case Moratorium may be terminated or modified if Oxford West is required to reduce its intrastate access rates to a level 10% below the agreed upon levels because of an order, statute, or rule, or if certain exogenous events result in a net 10% or more increase or decrease in the costs, revenues, or net operating income of Oxford West.

Notice of Initiation of Rate Proceeding. If either the Commission or Oxford West believes that the rate case moratorium should be terminated, it must give notice of its intention to file a rate case and allow an opportunity to object to the notice. The 21-day deadline for filing an objection must be prominently noticed with the initial notice filing.

Information on Separations Changes. If the FCC issues an order which "freezes" or changes the separations factors or categories, or declares internet or other ESP minutes of use to be jurisdictionally interstate in nature, then, within 60 days of the issuance of the order, Oxford West will provide the Commission and the Public Advocate an earnings analysis using the most recently available test year, which reflects the effects of the FCC's order.

Revised Rate Structure. In addition to the Stipulation, Oxford West has filed revised rate schedules designed to implement a uniform, two rate group rate structure for Oxford West and Oxford Telephone Company in accordance with agreements reached during negotiations.

We find that, taken together, these provisions are reasonable, meet section 7101-B's legislative mandates, and promote the public interest by protecting ratepayers from a rate increase related to the access rate reductions until well after the NECA 5 rates are put in place. Given the dynamic nature of the telecommunications industry and anticipated changes in separations, it is possible that by the time Oxford West's rate case moratorium ends no rate increase may be needed due to the effects of the access rate reductions. We note that the notice provisions contained in Section 3(e) of the stipulation are a deviation from the notice requirements contained in the Commission's rules. We find that the notification provisions are reasonable, given the context of their anticipated use.

Accordingly, we

O R D E R

1. That the Stipulation attached as Attachment A and filed on April 11, 2000, is approved;
2. That the Revised Rate Schedules attached as Attachment B and filed on April 11, 2000, are approved for effect on October 1, 2000; and
3. That Oxford West file access rate compliance tariffs by February 1, 2001.

Dated at Augusta, Maine, this 25th day of April, 2000.

BY ORDER OF THE COMMISSION

Raymond J. Robichaud
Acting Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-900
April 11, 2000

PUBLIC UTILITIES COMMISSION,
Re: Investigation into Rates of
Oxford West Telephone Company
Pursuant to 35-A M.R.S.A. §7101-B

STIPULATION

Oxford West Telephone Company ("Oxford West" or "Telephone Company"), the Office of the Public Advocate, the Telephone Association of Maine and New England Telephone and Telegraph Company, d/b/a Bell Atlantic (collectively "the Parties"), to the extent each has executed this Stipulation, hereby agree and stipulate as follows:

I. PURPOSE

The purpose of this Stipulation is to settle all issues in this proceeding, to avoid a hearing on those issues raised in this case and to expedite the Commission's consideration and resolution of the proceeding. The provisions agreed to herein have been reached as a result of the review of information provided by Oxford West in response to written and oral information requests and discussions among the parties and the Commission's Advisory Staff in this case.

II. BACKGROUND

On May 27, 1997, the Maine Legislature enacted 35-A M.R.S.A. § 7101-B, which required the Commission to establish intrastate access rates for local exchange carriers based on their interstate access rates by May 30, 1999, and every two years thereafter. The Commission subsequently adopted Section 8(J) of Chapter 280 of its Rules, which set forth the method by which Section 7101-B would be implemented. As a preliminary step towards achieving this goal, Section 8(J) required all independent telephone companies ("ITCs"), including Oxford West, to reduce their intrastate access rates by 40% of the difference between their existing rates and the level of the interstate access rates by May 30, 1998.

On January 23, 1998, Oxford West filed its initial schedule of intrastate access rates (Docket No. 98-062). On March 30, 1998, Oxford West filed a revised schedule of intrastate access rates which was designed to reduce its initial schedule of intrastate access rates by 40% of the difference between the initial schedule and the level of interstate access rates as determined on the basis of NECA pool disbursements

(Docket No. 98-253). On May 27, 1998, the Commission issued an Order disapproving Oxford West's initial schedule of intrastate access rates (Docket No. 98-062), and approving the revised schedule of access rates (Docket No. 98-253), to be effective on May 30, 1998.

After the initial rate reduction cases for ITCs were concluded, the Commission Staff and the Telephone Association of Maine ("TAM") began informal discussions to attempt to resolve issues regarding the access rate reductions planned for May 30, 1999. In October, 1998, ITCs provided the Staff with earnings analyses of the impact of further reductions in access rates. The information was provided in an informal manner to facilitate discussions and negotiations between the Staff and the ITCs.

On November 24, 1998, the Commission opened formal investigations into the rates of each of the ITCs, including Oxford West. The purpose of the investigation, as set forth by the Commission, was as follows:

As required by statute, Oxford West Telephone Company's intrastate access rates must be reduced to the interstate level or lower no later than May 30, 1999. This investigation will consider the potential financial impact upon the Company from this change, and may examine other factors, such as changes to basic local exchange rates or the need for a state universal service fund, that may be needed to offset all or a part of the revenue effect of access rate reductions. Any adjustment to revenues will be based on an assessment of amounts needed to allow the Company an opportunity to earn a fair rate of return.

Investigation Into Rates of Oxford West Telephone Company Pursuant to 35-A M.R.S.A. § 7101-B, Docket No. 98-900, Notice of Investigation (November 24, 1998), at 2. The Office of the Public Advocate ("OPA"), Bell Atlantic and TAM subsequently petitioned to intervene in Docket No. 98-900 on December 2, 1998, December 3, 1998, and December 22, 1998, respectively. The Commission granted all three petitions to intervene. On December 22, 1998, a Case Conference was held in all of the cases of all ITCs. Also on December 22, 1998, TAM filed a Motion for a Protective Order in the Access Cases.

On January 28, 1999, the Commission issued its Interim Order in the Access Cases which stated the goals that the ITCs would be required to reduce access rates as necessary to achieve intrastate access rates at NECA Pool Disbursement levels by May 30, 1999, and that the ITCs would be required to further reduce intrastate access rates to NECA Tariff levels over the two years following May 30, 1999. The Interim Order also stated that:

We expect that the ITCs will continue to participate fully in the discovery conferences conducted by Staff. We are hopeful that after further discussions, the ITCs and the other parties will propose stipulated transition plans for our review.

On January 27, 1999, the Staff conducted a Technical Conference in Docket Nos. 98-891, 98-899 and 98-900 to discuss information regarding Oxford West and its affiliated telephone companies Oxford Telephone Company and Bryant Pond Telephone Company (the "Oxford Companies"). On February 25, 1999, Oxford West filed a revised schedule of intrastate access rates which was designed to reduce Oxford West's intrastate access rates to the level of the interstate access rates based on the NECA pool disbursements, with the proposed effective date of May 30, 1999 (Docket No. 99-126). In response to a Staff request, Oxford West filed backup data to support its February 25 filing on May 3, 1999. The Commission allowed these revised intrastate access rates (Docket No. 99-126) to go into effect on May 30, 1999.

On July 30, 1999, Oxford West provided the Staff and the Public Advocate with an updated analysis of the impact of access rate reductions. On August 3, 1999, the Oxford Companies met with the Staff and the Public Advocate to discuss the information regarding the access rate reductions and to discuss the elements of a plan for transitioning to access rates closer to the NECA Tariff level by May 2001. The Oxford Companies again met with the Staff and Public Advocate on August 12 to discuss these matters. On September 10, the Oxford Companies provided the Public Advocate with wage information which it had requested and a conference call was held among the Oxford Companies, the Staff and Public Advocate on that date. On September 17, the Oxford Companies met with the Staff and Public Advocate, and again on October 13, 1999. On November 3, 1999, a conference call was held among the Oxford Companies, the Staff and the Public Advocate, in large part for discussing the Oxford Companies' proposed changes to their rate structure. The parties agreed to conduct an informational meeting for customers to review and comment on the proposed rate structure for Oxford Telephone Companies. Notices were sent to customers and a meeting was held on January 19, 2000. No customers attended the meeting. This Stipulation was then prepared pursuant to the earlier discussions among the Oxford Companies, the Staff and the Public Advocate.

On December 30, 1999, Oxford West Telephone Company and Bryant Pond Telephone Company were merged, with Oxford West as the surviving company. (See the Commission's Order approving merger, dated December 28, 1999, in Docket No. 99-890). Since the merger, Oxford West has maintained Bryant Pond's separate schedule of rates, terms and conditions for the former customers of Bryant Pond. The rate schedules appended to this Stipulation will now apply to all customers of Oxford West, including the former customers of Bryant Pond.

III. STIPULATION PROVISIONS

The Parties to this Stipulation agree and recommend that the Commission order as follows:

1. Access Rate Reduction. The Parties agree that on May 30, 2001, the Telephone Company shall reduce its average intrastate switched access rate per minute to equal the average per minute rate level for the Telephone Company under the NECA Tariff No. 5 interstate switched access rates effective for the Telephone Company on August 1, 1999. The Telephone Company shall implement this access rate reduction by filing, no later than February 1, 2001, revised rate schedules for intrastate access service, bearing the proposed effective date of May 30, 2001. The rate structure of the access rates to be implemented on May 30, 2001, shall be consistent with the rate structure requirements of Section 8(J) of Chapter 280 of the Commission's Rules, unless the requirements are waived by the Commission under Section 15 of Chapter 280. From the date of the Commission's approval of this Stipulation through the earlier of May 29, 2001 or the effective date of any general change in rates pursuant to a rate proceeding initiated upon the termination of the rate case moratorium in Section 2 pursuant to Section 3, the Telephone Company shall not be required to reduce its intrastate access rates below their currently existing level as of the date of this Stipulation. From May 30, 2001 through the earlier of May 29, 2003 or the effective date of any general change in rates pursuant to a rate proceeding initiated either after the expiration of the rate case moratorium in Section 2, below, or upon termination of the rate case moratorium in Section 2 pursuant to Section 3, the Telephone Company shall not be required to reduce its intrastate access rates below the level specified in the first sentence of this Section. The Telephone Company shall not be prohibited by this Stipulation from voluntarily reducing its intrastate access rates.

2. Rate Case Moratorium. The Parties agree that, from the date of the Commission's approval of this Stipulation until June 1, 2002, neither the Telephone Company nor the Commission shall initiate a rate proceeding for the purpose of effectuating or investigating an increase or decrease of the Telephone Company's rates for basic exchange service, provided that the Telephone Company shall not be prohibited by this Stipulation from voluntarily reducing its rates, and provided further that this rate case moratorium is subject to the exceptions in Section 3.

3. Exceptions to Rate Case Moratorium. The Rate Case Moratorium in Section 2 may be terminated or modified in the event of the following events as described herein:

a. Additional Access Rate Reduction. If the Telephone Company is required, or if it is known with reasonable certainty that the Telephone Company will be required, by statute, by final judicial decision or order or by final administrative rule or order, which preempts or invalidates this Stipulation, to reduce its intrastate access rates to a level below the levels specified in Section 1, and if any such required reduction in access rates individually or cumulatively with any other access rate reductions required after the date of this Stipulation will produce, or it is known with reasonable certainty that it will produce, a reduction in the level of access rates by 10% or more, the Telephone Company shall be allowed to request the Commission to modify the term of the rate case

moratorium in Section 2 and/or to immediately initiate a rate proceeding for the purpose of increasing its rates.

b. Exogenous Events. If one or more of the following exogenous events, including a required reduction in access rates, as described in Section 3(a), occurs, or it is known with reasonable certainty that it will occur, and it results, or it is known with reasonable certainty that it will result, individually or cumulatively, when netted with any other exogenous events, in a 10% or more increase or decrease in the costs, revenues, or net operating income of the Telephone Company, the Telephone Company or the Commission shall be allowed to initiate a rate proceeding for the purpose of increasing or decreasing rates:

(i) The adoption, amendment or implementation of a rule, requirement, order or ruling by a judicial or administrative body, including the Commission, which is specific to the Telephone Company or to public utilities or the telecommunications industry ("regulatory mandate"), including but not limited to jurisdictional separations changes, provided that any rate changes related to implementation of the currently existing BSCA Rule will be in accordance with the provisions of the Rule and the Commission's interpretation and administration of the Rule;

(ii) A statutory change to Title 47 of the United States Code Annotated, Title 35-A of the Maine Revised Statutes Annotated or to federal or state tax laws;

(iii) The adoption of an accounting order, standard or formal letter of interpretation by the Commission or the FCC;

(iv) The occurrence of an extraordinary event totally outside the control of the Telephone Company, which has a very substantial and plainly disproportionate effect on the Telephone Company's revenues, costs or net operating income.

c. Generic Rate Adjustments. If the Commission provides by rule or order for an adjustment of the rates of telephone companies on a generic basis, the Telephone Company may adjust its rates in the same manner as other telephone companies.

d. Timing of Regulatory Mandates. It is the intent of this Stipulation that, to the extent possible, the timing or implementation of any access rate reduction or other regulatory mandate within the control of the Commission, which has an adverse impact on the Telephone Company, shall take place in a manner that does not prejudice the Telephone Company's ability to seek and obtain timely relief.

e. Notice of Initiation of Rate Proceeding. The following procedures shall apply in the event of the initiation of a rate proceeding by the Telephone Company or the Commission pursuant to Section 3(a) or (b):

(i) In the event of a rate proceeding initiated by the Telephone Company, the Telephone Company shall provide written notice to the Commission and the parties to this proceeding of the basis for initiating the rate proceeding, including a description of the relevant events under Section 3(a) or the relevant exogenous events under Section 3(b) and their impacts. Any party to this proceeding objecting to the initiation of the rate proceeding shall have twenty-one days from the date of receipt of the notice to file an objection to the initiation of a rate proceeding. The written notice provided by the Telephone Company shall include prominent notice of this twenty-one day deadline for filing an objection. If no party to this proceeding files an objection within the twenty-one days and if the Commission does not give notice that it is commencing a review of the basis for initiating the rate proceeding within the twenty-one days, the Telephone Company may immediately initiate the rate proceeding. If an objection is filed or if the Commission commences such a review, and if the Commission does not issue a decision which finds that a rate proceeding may not be initiated under Section 3(a) or Section 3(b), within 60 days after receipt of the Telephone Company's written notice, the Telephone Company may immediately initiate the rate proceeding, upon the earlier of the Commission's issuance of an order finding that a rate proceeding may be initiated or 60 days after receipt of the Telephone Company's written notice.

(ii) In the event of a rate proceeding initiated by the Commission, the Commission shall provide written notice to the parties to this proceeding of the basis for initiating the rate proceeding, including a description of the relevant exogenous events under Section 3(b) and their impacts. Any party to this proceeding objecting to the initiation of the rate proceeding shall have twenty-one days from the date of receipt of the notice to file an objection to the initiation of a rate proceeding. If no party to this proceeding files an objection within twenty-one days and if the Commission does not give notice that it is commencing a reconsideration of the basis for initiating the rate proceeding within the twenty-one days, the Commission may immediately initiate the rate proceeding. If an objection is filed or if the Commission commences such a reconsideration and if the Commission does not issue a decision which finds that a rate proceeding may not be initiated under Section 3(a) or Section 3(b) within 60 days after the receipt of the Commission's written notice, the Commission may immediately initiate the rate proceeding, upon the earlier of the Commission's issuance of an order finding that a rate proceeding may be initiated or 60 days after receipt of the Commission's written notice.

f. Information on Separations Changes. If the FCC issues an order which “freezes”, changes the separations factors or categories, or declares internet or other ESP minutes of use to be jurisdictionally interstate in nature, then, within 60 days of the issuance of said order, the Telephone Company shall provide the Commission and the Public Advocate with an earnings analysis using the most recently available test year, which reflects the effects of the FCC’s order. The Telephone Company may request and the Commission may grant an extension of time or waiver of this requirement. Prior to submitting the earnings analysis the Telephone Company shall consult with the Commission Staff and the Public Advocate with regard to determining the most recently available test year period to be used in the earnings analysis. This section shall not apply if the rate case moratorium has been terminated.

4. Revised Rate Structure. The parties agree that the revised rate schedules which are appended to this Stipulation shall become effective on the proposed effective date as it appears on the schedules. These rate schedules are designed to implement a uniform, two rate group, rate structure for Oxford Telephone Company and Oxford West Telephone Company, in accordance with the revised rate re-rationalization proposal submitted by the Oxford Companies in this case on November 8, 1999. The revised rate structure is “revenue neutral,” such that it is designed to produce the same total revenues for Oxford Telephone Company and Oxford West Telephone Company (as merged with Byrant Pond Telephone Company) as the total revenues produced by the rates in effect for Oxford Telephone Company, Oxford West Telephone Company, and Bryant Pond Telephone Company in calendar year 1998, based on the billing determinants for 1998.

5. Staff Presentation of Stipulation. The Parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. § 9055 and related Commission Rules to the extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commission at public deliberations, without the participation of any party, except in the case where a Party to this proceeding is opposing this Stipulation.

6. Record. The record on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of this Stipulation, all documents provided in responses to data requests and information requests of the Advisory Staff and any other material furnished by the Advisory Staff to the Commission, either orally or in writing, at the time of the Commission’s consideration of this proceeding.

7. Non-Precedential Effect. Except where it may be expressly noted herein, the Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

8. Stipulation as Integral Document. This Stipulation represents the full agreement between all parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

OXFORD WEST TELEPHONE COMPANY

By: _____
Its: _____ Date

OFFICE OF THE PUBLIC ADVOCATE

By: _____
Its: _____ Date

TELEPHONE ASSOCIATION OF MAINE

By: _____
Its: _____ Date

NEW ENGLAND TELEPHONE AND
TELEGRAPH COMPANY,
D/B/A BELL ATLANTIC

By: _____
Its: _____ Date